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SUBJECT: CHARGE DISCUSSES IRAQI POLITICS, COORDINATION WITH AID DONORS, AND PREPARATIONS FOR INTERNATIONAL CONFERENCES WITH PLANNING MINISTER SALEH

Classified By: Deputy Chief of Mission David M. Satterfield for reasons 1.4 (b) and (d)

1. (C) SUMMARY: Minister of Planning and Development Cooperation Barham Saleh on June 7 told the Charge that the initial steps taken by the Iraqi Transitional Government (ITG) and Prime Minister Jaafari were weak and lackluster. On the constitution, Shi'a political groups are pushing to complete a first draft by July 15, subject to further revision before the August 15 deadline for approval by the Transitional National Assembly (TNA): religion, federalism, and regime type are the most important constitutional issues. The Minister advised the USG to remain consistently engaged in Iraq and to avoid ceding influence to Iran. Saleh remains unhappy with Jaafari's decision to make Finance Minister Allawi the focal point for coordinating donor aid, telling us there has been no formal reassignment of the portfolio in writing. The Minister has completed a draft of the National Development Strategy that will highlight economic reform, the need for private sector development, and other pro-market initiatives. Saleh has received a letter from the Jordanian Minister of Planning saying that Amman would prefer to postpone the IRFFI donors' conference until August or September. END SUMMARY.

2. (SBU) Charge Satterfield and emboffs met on June 7 with Barham Saleh, Minister of Planning and Development Cooperation.

ITG MUST AVOID WEAKNESS, OVER-REACHING

3. (C) Assessing the general situation in Iraq, Saleh said the country's problems can be solved, but only if the ITG adopts a line of march based on a realistic understanding of the country's history and complexity. In particular, the new majority comprising the victims of Saddam's regime--Shi'a and Kurds--must avoid the temptation to over-reach. The ITG's initial steps in this regard have been lackluster, and Prime Minister Jaafari's leadership has been weak, according to Saleh. Jaafari has been acting as a factional rather than national leader and does not understand the complexity of Iraq, especially the need to mollify the Sunni minority. Moreover, Saleh added, Jaafari and his party have not honored their commitments, such as the scope of the Planning portfolio (see paragraph 8 below) and other promises to the Kurds. (COMMENT: Saleh's comments track with the accounts of Rowsch Shaways and President Talabani regarding a July 8 "confrontation" with PM Jafari over his presumed failings (SEPTEL). END COMMENT)

CONSTITUTION APPARENTLY ON THE FAST TRACK

4. (C) Saleh told us that the Shi'a were pushing to complete a first draft of the constitution by July 15, subject to further revision before the August 15 deadline for approval by the TNA. (NOTE: Constitution Committee Chairman Hammoudi said in a separate meeting with poloff that this was his goal as well. END NOTE) A "kitchen group" including Saleh, Deputy President Mahdi, and Deputy Prime Minister Shaways was working behind the scenes to expedite the process. He highlighted three issues as most important:

-- The role of religion in the state.

-- Definition of federalism: Saleh said he would like to see political authority and revenues devolved as much as possible to the regions.

-- Type of regime: Saleh admitted that a presidential regime would be more "natural" for most Iraqis and appeared the preference of the Shi'a. The Kurds, however, will press for a parliamentary regime.

NEED TO CONTROL INSURGENCY

5. (C) Saleh said he sees dangerous signs that Sunni religious agitation is being politicized, raising the

possibility that the insurgency will metastasize into a broader Sunni insurrection. To forestall this, in his opinion, the new Shi'a majority must reach out to moderate Sunni leaders such as TNA Speaker al-Hashimi, who need to be made to appear strong and credible in their constituents' eyes. The Minister concurred with the Charge's assessment of the importance for the ITG of harmonizing its message on the insurgency both internally and in communicating with the Iraqi public.

ADVICE: STAY ENGAGED

16. (C) Turning to how the USG should proceed in Iraq, Saleh said we must first build on what has worked. The strict timetable imposed on the lifespan of the Iraqi Interim Government and on the constitution-writing process shares much of the responsibility for the successful elements of recent political developments. The U.S. also has done an effective job of Sunni outreach, which most Iraqis view as serious and credible. Moreover, Saleh continued, we ought not ignore regions such as the Kurdish north that have remained relative secure and stable. The Minister noted in this regard that he was traveling to Sulaimaniyah and Erbil on June 9 for meetings with Regional President Barzani and other regional figures.

17. (C) The U.S. can do a better job of staying consistently engaged in Iraq and maintaining a mid-point between intervention and indifference, Saleh told us. We should not under-estimate the importance of our role and influence here. In the Minister's assessment, the U.S. is one of three critical factors in the country; the other two--Ayatollah Sistani and Iran--are also foreign.

COORDINATING DONOR COORDINATION

18. (C) Saleh told us he was surprised when he learned that the ITG's focal point for coordinating donor aid was to be Finance Minister Allawi. The Planning Minister believes this was done largely for partisan reasons, so a member of Jaafari's party could be seen as responsible for large flows of donor aid. (NOTE: Information from local Canadian aid representative Heather Cruden tends to substantiate Saleh's suspicions. Jaafari's chief of staff Laith Koubba told her late last month that the donor aid focal point was the person of the Minister of Finance and not the institution of the Ministry of Finance. END NOTE) Saleh commented that, beyond the dent this put in his own standing, the move had been done in a way that created unnecessary confusion. First, there is simply no time to establish a donor coordination unit in Finance in time for the Brussels and IRFFI conferences. Moreover, there has been no formal reassignment of the portfolio; Saleh has seen nothing in writing about this from the Prime Minister's office. Saleh and Finance Minister Allawi had been convened by Deputy Prime Minister Chalabi to try to resolve the issue on June 6, but it appears little headway was made. Summing up, the Minister said, "The way things are going is a bad omen."

19. (C) Charge noted that the Prime Minister's appointment of the Finance Minister as focal point for donor coordination might not be optimal, but it would be counter-productive to second-guess this decision now. At this Saleh stepped down a bit, saying he recognized the need to stay engaged with all his ITG counterparts and put Iraq's best foot forward at Brussels and the other meetings.

ECONOMIC VISION

10. (C) Saleh told us he remained a "non-planner" despite his new portfolio and promised he would not "go native" during his tenure at the Planning Ministry. He wants to highlight the Ministry's role in attracting and nurturing private sector investment, and for it to serve as a resource center for all types of investment.

11. (C) Saleh said a committee in the Ministry, led by Senior Deputy Minister Faik Abdol Rasool, has completed an economic strategy document for presentation at the Brussels and the IRFFI conferences. This strategy focuses on economic reform and the need for private sector development. (NOTE: We will obtain a copy from the Ministry and share with Washington. END NOTE)

POSSIBLE DELAY IN IRFFI CONFERENCE

12. (C) Saleh mentioned in passing a letter he had just received from the Jordanian Planning Minister, stating that

the Jordanian hosts would prefer that the IRFFI conference take place in August or September, and not in July. Saleh appeared nonplussed by this news. (NOTE: The Minister's chief of staff has promised to send us a copy of this letter, which we will share. At a separate meeting of donor representatives on June 7, EC Iraq Mission chief Ana Gallo-Alvarez said her Amman office had heard that the Jordanians would prefer a September date for the IRFFI conference. Representatives from Canada--chair of the donors committee--and the World Bank said they had not been informed. END NOTE)

13. (U) REO Hillah, Basrah, Kirkuk, and Mosul Minimize considered.
Jeffrey